

Message Text

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14/60

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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R 161628Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5629

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

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CORRECTED COPY TO ADD SIGNATURE RICHARDSON

E.O. 11652: XGDS-1

TAGS: UK, PINT

SUBJECT: CALLAGHAN OPTIMISTIC ABOUT FIGHT ON INFLATION

1. FOREIGN SECRETARY CALLAGHAN SUMMONED ME TO HOUSE OF COMMONS YESTERDAY (OCTOBER 14) FOR A "FRIENDLY CHAT" THAT LASTED NINETY MINUTES. HIS COMMENTS ON THE DANGERS OF RISING PROTECTIONISM, BELIZE, AND THE BRITISH DEMAND FOR A SEPARATE SEAT AT THE CONSUMER-PRODUCER CONFERENCE HAVE BEEN REPORTED SEPTELS (EXDIS, NOTAL). HE OPENED BY DISCUSSING HMG'S ANTI-INFLATION PROGRAM.

2. CALLAGHAN SAID HOW ENCOURAGED HE HAD BEEN BY THE OUT-
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COME OF THE LABOR PARTY CONFERENCE IN BLACKPOOL. HE

CITED IN PARTICULAR THE KEY ROLE PLAYED BY TRADE UNION LEADER JACK JONES, WHOSE SUPPORT, HE SAID, MAKES THE GOVERNMENT'S CHANCES FOR SUCCESS IN FIGHTING INFLATION MUCH GREATER. ALLUDING TO THE MEDIA SPECULATION STIRRED UP BY HIS RECENT PREDICTION THAT INFLATION WOULD NOT BE DOWN TO 10 PER CENT UNTIL THE END OF 1976, HE CONCEDED THAT THIS WAS A MORE PESSIMISTIC FORECAST THAN THE ONE CONTAINED IN THE WHITE PAPER BUT INSISTED THAT IT WAS BASED ON ORIGINAL TREASURY ESTIMATES WHICH HAD SUBSEQUENTLY BEEN SOFTENED (PRESUMABLY FOR POLITICAL REASONS). IN ANY EVENT, HE ARGUED, THE IMPORTANT THING WAS THAT INFLATION BE SEEN TO BE DECLINING SHARPLY BY NEXT SPRING. THE GOVERNMENT'S PRIMARY TASK, HE REITERATED, IS TO OVERCOME INFLATION, AND THE PRIME MINISTER HAD ASKED ALL CABINET MEMBERS TO GET THIS MESSAGE OVER TO THE COUNTRY IN AS MANY SPEAKING ENGAGEMENTS AS THEY COULD MANAGE.

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